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IN THE
Supreme Court of the United States

OCTOBER TERM, 1950.

No. 30

UNITED STATES OF AMERICA,

Appellant,

vs.

UNITED STATES GYPSUM COMPANY, ET AL.,

Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLUMBIA.

**BRIEF FOR CERTAIN-TEED PRODUCTS
CORPORATION, APPELLEE,**

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PRELIMINARY STATEMENT.

This brief is submitted on behalf of appellee, Certain-teed Products Corporation (hereinafter referred to as "Certain-teed"), one of the licensees under patents relating to gypsum board owned by United States Gypsum Company (sometimes hereinafter referred to as "USG"). The paragraphs of the Government's brief relating to prior opinions, jurisdiction and statute involved are hereby adopted.

QUESTIONS PRESENTED.

1. Whether the judgment of the district court entered pursuant to summary judgment proceedings, affords adequate relief.

2. Whether the judgment of the district court should be modified so as to impose additional restrictive injunctions upon the appellees, or any of them.

STATEMENT.

In the main, the Statement in the Government's brief (pp. 5-16) sets out the prior proceedings. However, such statement is deficient in failing to state the narrow ground upon which the Government rested its motion for summary judgment before the district court. This ground was that, in view of the opinion of this Court reversing the judgment of dismissal entered by the district court in *U. S. v. U. S. Gypsum Co.*, 333 U. S. 364, the Government had only to establish a plurality of license agreements among competitors in the gypsum industry with price limitation adhered to by each of the licensees with knowledge of the adherence of the others, and that all other abuses falling within the traditional prohibitions of the Sherman Act could be laid aside (R. 33).*

* The letter "R" refers to the record on this appeal.

SUMMARY OF ARGUMENT.

I.

The judgment of the district court, entered upon the Government's motion for summary judgment, effectively terminates the practices condemned by this Court and the effects thereof, and is adequate and effective to prevent further violations of the Sherman Act by the appellees and to dissipate the effects of their past illegal conduct.

A.

The district court was vested with large discretion to model its judgment to fit the exigencies of the case before it.

B.

The judgment of the district court was in accordance with and pursuant to the prior opinion of this Court in *U. S. v. U. S. Gypsum Co.*, *supra*.

II.

The district court did not err in eliminating from its judgment the visitation provision sought by the Government.

III.

The judgment of the district court in assessing only one-half of the costs against the appellees did not constitute an abuse of its discretion.

ARGUMENT.

I.

The basic factor underlying any consideration of the issues on the Government's appeal is that the judgment appealed from in this case was not entered after trial on the merits. Rather, the judgment was entered after granting the Government's motion for summary judgment (R. 102-3). Throughout its argument below in support of its motion for summary judgment the Government took the position that having shown price control through the execution of the license agreements to which all appellees had adhered with knowledge of the adherence of the others, the Government was entitled to the entry of a summary judgment (R. 33, 44-47, 92). The district court clearly understood that the motion for summary judgment was so limited (R. 102-103, 109-113, 138-141). Having secured exactly the kind of decree which it sought by moving for summary judgment, we submit that the Government is not now entitled to secure the entry of a judgment granting injunctive relief against alleged violations which were outside the scope of the motion for summary judgment. The Government secured its summary judgment by adherence to a limited and narrow issue. It thus avoided a trial on other controverted issues of fact raised by the pleadings. The summary judgment proceedings were an opening wedge employed to avoid trial; the issues then were narrowly stated; the district court refused to permit the wedge to be enlarged, but the Government now seeks a broad judgment such as might be entered after a trial had been had on all of the issues involved and as if the district court had determined all disputed facts adversely to the appellees. We submit that the Gov-

ernment should not and cannot have it "both ways." The judgment of the district court on the limited issue it was called upon to determine under the Government's motion for summary judgment granted to the Government all the relief to which it was entitled as to such issue and gave effective and adequate protection of the public interest.

In connection with the Government's argument in support of its request for broader injunctive relief, an attempt is made to discredit the proffer of proof made by the appellees because such proffer was not supported by affidavits (pp. 30-31, Govt. br.). The motion for summary judgment was made under Rule 56 of the Federal Rules of Civil Procedure which provides that the judgment sought should be rendered if the pleadings, depositions and admissions on file together with the affidavits, if any, show that there is no genuine issue as to any material fact. The proffer of proof was made at the district court's request, merely to inform the Court of the facts in controversy and those which were admitted. The appellees never denied the existence of the license agreements the validity of the price-fixing provisions of which was the focal point at issue on the prior appeal to this Court, and since the Government based its motion for summary judgment upon the absence of any controverted fact on this issue, the question whether the proffer was supported by affidavits or not was considered to be and is not material. The appellees filed no affidavits to resist the motion for summary judgment because the Government limited its motion in the manner aforesaid and the appellees admitted the facts with relation to the particular ground upon which the motion for summary judgment was made. Furthermore, the Government took no exception to the consideration of appellees' proffer of proof by the district court (R. 89) and the Government

did not include any such point in its assignment of errors (R. 197-8).

In considering whether the judgment of the district court should be modified and amended as the Government seeks to do, it should be borne in mind that the task of framing an appropriate decree rests with the district court, which is invested with a broad discretion. This principle is stated by this Court in *International Salt Co. v. U. S.*, 332 U. S. 392, 400-401, where the Court said:

“The framing of decrees should take place in the District rather than in Appellate Courts. They are invested with large discretion to model their judgments to fit the exigencies of the particular case. *United States v. Crescent Amusement Co.*, 323 U. S. 173, 185 * * *; *United States v. National Lead Co.*, 332 U. S. 319 * * *.”

In determining in that case that the decree of the district court should not be altered because of the principle announced above, this Court took into consideration and gave considerable weight to the fact that the decree also provided for retention of jurisdiction by the district court for the purpose of enabling the parties to make application for such further orders and directions as might be necessary or appropriate for the construction or carrying out of the judgment. A similar provision is contained in the judgment entered by the district court in this case. The decree of the district court in *International Salt Co. v. U. S.*, *supra*, was entered upon a motion for summary judgment, but it affirmed the decree of the district court on the ground that it had not abused its discretion.

Particularly applicable to the case at bar is the decision of this Court in *Associated Press v. U. S.*, 326 U. S. 1, 22-23. In that case also the decree which the Government sought to broaden was entered upon a motion for summary judgment. This Court refused to do so, saying:

"The fashioning of a decree in an Anti-trust case in such way as to prevent future violations and eradicate existing evils, is a matter which rests largely in the discretion of the Court. *United States v. Crescent Amusement Co.*, 323 U. S. 173, * * *. A full exploration of facts is usually necessary in order properly to draw such a decree. In this case the government chose to present its case on the narrow issues which were within the realm of undisputed facts. In the situation thus narrowly presented we are unable to say that the Court's decree should have gone further than it did. Furthermore, the District Court retained the cause for such further proceedings as might become necessary. If, as the government apprehends, the decree in its present form should not prove adequate * * *, the Court's retention of the cause will enable it to take the necessary measures to cause the decree to be fully and faithfully carried out."

We submit that the principles laid down by this Court with regard to the fashioning of a decree in antitrust cases where the judgment has been entered on motions for summary judgment are the principles which should be followed in this case, and not those announced in the cases cited by the Government, which, with the exception of *International Salt Co. v. U. S.*, *supra*, are cases in which a trial of all issues involved in the case was had.

The Government has stated that where the judgment entered below does not adequately protect the public interest, this Court has not hesitated to direct a revamping of the judgment (p. 23, Govt. br.). This does not mean, however, that this Court will sit as at *nisi prius* and enter such decree as the Government proposes, but simply that the power to *review* is present. An examination of the cases cited in support of the Government's statement clearly shows that they have no application to the situation here presented. In *Standard Oil Co. v. U. S.*, 221 U. S. 1, the decree of the trial court was affirmed except as to minor matters. In *U. S. v. American Tobacco Co.*, 221

U. S. 106, the relief was broadened because this Court found that the violations were broader than found by the lower court. This is not our situation, as Article 3 of the judgment of the district court establishing the violations of the Sherman Act by these appellees was affirmed by this Court on May 29, 1950 (339 U. S. 960). In *U. S. v. Crescent Amusement Co.*, 323 U. S. 173, this Court recognized the general rule of the wide range of discretion in the district court to mold the decree to the exigencies of the particular case, but because the proclivity for unlawful activity was so manifest, this Court felt that the decree of the district court should be revised. This is not true of the situation existing here because the appellees in good faith entered into the licensing agreements fixing prices and adhered to the same, relying upon the decision of this Court in *U. S. v. General Electric Co.*, 272 U. S. 476. In *U. S. v. Paramount Pictures, Inc.*, 334 U. S. 131, this Court eliminated a competitive bidding provision which it felt would merely increase the defendant's control and would require constant and close judicial supervision. In none of these cases cited by the Government (pp. 23-24, Govt. br.) was a summary judgment involved.

The judgment of the district court and the injunctive relief provided for therein terminates and dissipates the practices condemned by this Court and provides adequate and effective safeguards against the continuation, revival or renewal thereof. After finding in Article III of the judgment of the court below that "the defendant companies have acted in concert in restraint of trade and commerce among the several states in the eastern territory of the United States to fix, maintain and control the prices of gypsum board and have monopolized trade and commerce in the gypsum board industry in violation of Sections 1 and 2 of the Sherman Antitrust Act", the court adjudges in Article IV of the decree that "each of

the license agreements * * * is unlawful under the anti-trust laws of the United States and illegal, null and void." In Article V, the district court judgment enjoined and restrained each of the defendant companies from (1) the further performance or enforcement of any of the provisions of the patent licenses, including any price bulletin issued thereunder; (2) entering into or performing any agreement or understanding among the defendants, or any of them, for the purpose or with the effect of continuing, reviving or reinstating any monopolistic practice; (3) entering into or performing any agreement or understanding among the defendants, or any of them, in restraint of trade and commerce in gypsum board among the several states in the eastern territory of the United States by license agreements to fix, maintain or stabilize prices of gypsum board or the terms and conditions of sale thereof (R. 189).

Under the provisions of the district court judgment, set out above, the existing license agreements are terminated for all time and future price-fixing in the gypsum board industry is effectively prevented. Although the Government charged the appellees with other means of suppressing and stabilizing gypsum products other than gypsum board, all disputed by the appellees, no determination was, nor could it have been, made of such disputed issues without a trial of the case. The Government by its motion for summary judgment sought to and did avoid a trial on these disputed issues. Therefore, on the record before this Court, the appellees' actions must be limited to their conduct under the license agreements.

The judgment of the district court effectively destroys any monopoly resulting from the issuance of the industry-wide licenses and enjoins each appellee from entering into or carrying out any understanding or agreement, the effect of which would be to continue, revive or reinstate any monopolistic practice. Said judgment provides for

retention of jurisdiction for the purpose, among other things, of enforcing compliance therewith. We, therefore, believe that the Government's fears as to the inadequacy of the injunctive provisions of said judgment are not based on any fact. As this Court said in *U. S. v. National Lead Co.*, 332 U. S. 319, 348:

"Assuming, as is justified, that violation of the Sherman Act in this case has consisted primarily of the misuse of patent rights placing restraint upon interstate and foreign commerce, that conduct is not before this Court for punishment. It is brought before this Court in order to secure an order for its immediate discontinuance and for its future prevention. That will be accomplished largely through the strict prohibition of further performance of the provisions of the unlawful agreements. Further assurance against continued legal restraints upon interstate and foreign commerce through misuse of these patent rights is provided through the compulsory granting to any applicant therefor of licenses at uniform, reasonable royalties under any or all patents defined in the decree."

As was said by this Court in *Hartford-Empire Co. v. U. S.*, 323 U. S. 386, 409-10,

"The Sherman Act provides criminal penalties for its violation, and authorizes the recovery of a penal sum in addition to damages in a civil suit by one injured by violation. It also authorizes an injunction to prevent continuing violations by those acting contrary to its proscriptions. The present suit is in the last named category and we may not impose penalties in the guise of preventing future violations. * * * the Court may not * * * place the defendants, for the future, 'in a different class than other people', * * *. The decree must not be 'so vague as to put the whole conduct of the defendants' business at the peril of a summons for contempt;' enjoin 'all possible breaches of the law;' or cause the defendants hereafter not 'to be under the protection of the law of the land'."

Similarly, in *National Labor Relations Board v. Express Pub. Co.*, 312 U. S. 426, 435-36, this Court said:

“A Federal court has broad power to restrain acts which are of the same type or class as unlawful acts which the court has found to have been committed or whose commission in the future, unless enjoined, may fairly be anticipated from the defendant's conduct in the past. But the mere fact that a court has found that a defendant has committed an act in violation of a statute does not justify an injunction broadly to obey the statute and thus subject the defendant to contempt proceedings if he shall at any time in the future commit some new violation unlike and unrelated to that with which he was originally charged. This Court will strike from an injunction decree restraints upon the commission of unlawful acts which are thus disassociated from those which a defendant has committed.”

The decree which the Government proposes (App. A, pp. 65-75 and pp. 13-16, Gov't br.) goes far beyond the matters proved and decided in this case and attempts to include provisions which are entirely unrelated to the proscribed act of accepting and adhering to the license agreements containing price-fixing agreements entered into with USG. The matters sought to be included by the Government in its proposed judgment would include all gypsum products and every activity in the sale, production and distribution thereof. We submit that such matters are wholly outside the scope of the final determination of this case made on the motion for summary judgment. Such provisions clearly would “put the whole conduct of appellees' business at the peril of a summons for contempt” and are prohibited under the principle laid down by this Court in *Hartford-Empire Co. v. U. S.*, *supra*. Illustrative of the Government's position is subparagraph 5 of

Article V of its proposed judgment (pp. 68-70, Govt. br.). It seeks by this provision to determine the issue decided in *Federal Trade Commission v. Cement Institute, Inc.*, 333 U. S. 683, after years of litigation and to impose its views on basing point delivered price systems on the entire gypsum industry without any trial or consideration of the issues involved. In so far as the use of the basing point system was involved in the determination made by the court below, it was confined to bulletins issued under the license agreements. The judgment of the district court has stricken down such license agreements and the bulletins as part and parcel thereof. The injunction against a basing point delivered price system not confined to gypsum board but extended to the entire gypsum industry is manifestly far beyond the scope of the issues determined by the district court in entering the summary judgment.

At pages 24 to 43, both inclusive, the Government argues that it is entitled to the injunctive provisions contained in its proposed judgment. In connection therewith, we wish to point out that the judgment of the district court did exactly what this Court approved in *Ethyl Gasoline Corp. v. U. S.*, 309 U. S. 436, and other cases cited by the Government. It suppressed the license agreements by which the unlawful control of the gypsum board industry was maintained, and effectively pried open the gypsum board industry to competition. The so-called narrow scope of the district court judgment complained of by the Government was directly the result of the Government's decision to present its case on the narrow issues which were within the realm of undisputed facts. *Associated Press v. U. S.*, *supra*. All the restrictive provisions which the Government proposes to have included in the decree are dictated not by the terms of the license agreements or the bulletins issued pursuant thereto, but by charges made

in the Government's complaint and controverted in appellees' pleadings, and which were eliminated by the Government's motion for summary judgment. The Government is seeking broad injunctive relief to which it would only be entitled, if at all, if the appellees, having had their day in court and having introduced evidence in support of the controverted issues of fact, had been found guilty of violation of the Sherman Act with regard to such controverted matters.

The fact that the decree below does not contain all of the injunctive provisions sought by the Government, does not demonstrate that the district court in modelling its decree to fit the exigencies of this particular case abused its inherent discretion. The Government saw fit to take the position on its motion for summary judgment that a mere plurality of licenses among competitors in an entire industry upon price limitations adhered to by each with knowledge of the adherence of others, was, without more, a violation *per se* of the Sherman Act, and therefore all of the causes usually constituting a violation of the Sherman Act could be laid aside and ignored. Having taken such position and having secured a summary judgment based thereon, it cannot now press for injunctive relief on matters outside the scope of said summary judgment. Indicative of the extent to which the Government seeks to broaden the scope of the judgment is the argument made that the judgment leaves the appellees free to enter into price-fixing patent licenses with respect to sales in the Pacific Coast area (pp. 34-35, Govt. br.). We submit that this argument is patently absurd as the judgment of the district court clearly establishes price-fixing patent licenses to be illegal and therefore no matter where such price fixing was sought to be carried out through patent licenses, whether on the Pacific Coast or in the eastern territory, such action would be illegal. The Government's

argument presumes that the appellees in the face of a decree establishing illegality of such a license, would violate the judgment. With regard to the application of the Government's proposed judgment to products other than gypsum board, we submit that the inclusion of such products is wholly outside the scope of anything determined on the motion for summary judgment.

The decree entered in the district court, after reversal of the judgment below by this Court, in *U. S. v. Masonite*, 316 U. S. 265, is very similar in scope and form to the judgment of the district court here appealed from. The Masonite decree was considered and discussed in the arguments before the district court upon the proposed decrees submitted by the Government and USG, and quite evidently was given considerable application in the judgment of its own making entered by the district court.

In view of the foregoing considerations, we submit that the Government's criticism of the district court judgment is without merit and that the specific injunctive relief which is sought in the Government's proposed injunction goes far beyond that to which it is entitled. This Court has repeatedly taken the position, as stated by Mr. Justice Frankfurter in his dissenting opinion in *International Salt Co. v. U. S.*, *supra* (p. 403):

"* * * when a court condemns practices as violative of the Sherman Law * * *, it has the duty so to fashion its decree as to put an effective stop to that which is condemned. But the law also respects the wisdom of not burning even part of a house in order to roast a pig. Ordinarily, therefore, when acts are found to have been done in violation of antitrust legislation, restraint of such acts in the future is the adequate relief. See *New York, N. H. & H. R. Co. v. Interstate Commerce Commission*, 200 U. S. 361, 404, * * *; *Standard Oil Co. v. United States*, 221 U. S. 1, 77,

* * * ; *National Labor Relations Bd. v. Express Pub. Co.*, 312 U. S. 426, 435, 437, * * *."

To the same effect, see also *U. S. v. National Lead Co.*, *supra*, and *Hartford-Empire Co. v. U. S.*, *supra*.

Inherent in the principle that the district court should draw the decree to meet the exigencies of the particular case is the consideration which should be given to the good faith of the appellees in acting under their interpretation of their rights as determined in *United States v. General Electric Co.*, *supra*. While good faith will not relieve the appellees of the violation of the Sherman Act of which they stand adjudged, the intent, conduct and good faith of the appellees are matters properly to be considered by the district court in drawing a decree within its discretion which will prevent the continuance or recurrence of the violation being enjoined.

We submit that this consideration and the narrow issues presented by the Government of its own choice on the motion for summary judgment are the considerations which caused, and properly so, the district court to enter the judgment from which the Government appeals, and that the Government should not be heard to complain of the result it invited.

II.

Under Article VIII of the Government's proposed judgment (pp. 73-74, Govt. br.), the Government seeks the right to have authorized representatives of the Department of Justice, upon the written request of the Attorney General or an Assistant Attorney General, examine the appellees' books and records and interview their officers or employees with reference to matters contained in the judgment. The district court determined that such a provision was not necessary in the instant case for the protection of any

public interest. The district court decided, as it did in connection with the specific injunctive relief sought by the Government, that this matter was outside the scope of the issues determined by it upon the Government's motion for summary judgment.

We submit that in refusing to include the visitation provision the district court did not abuse the discretion vested in it to fit the judgment to the exigencies of this case. As was said in *U. S. v. Bausch & Lomb Co.*, 321 U. S. 707, 727 the circumstances of each case control the breadth of the order.

The fact that many litigants have accepted such a provision is not authoritative. It may well indicate a lack of vigilance against encroachment upon their rights. Under the facts which were considered by the district court on the motion for summary judgment, the inclusion of a visitation provision such as is sought by the Government, would infringe substantive rights of appellees, and the district court properly refused to include such a provision in the judgment entered by it. The appellees should not be placed "in a different class than other people." *Hartford-Empire v. U. S.* *supra*.

III.

In Article IX of its proposed decree (p. 74, Govt. br.) the Government seeks to tax all of the costs of the proceeding against the appellees. It is argued by the Government that the district court's judgment requiring the Government to pay one-half of the costs resulted from an erroneous determination that a violation of the Sherman Act, resulting from a mistaken view as to the law's scope, is not a full-fledged violation of the statute (p. 62, Govt. br.). This statement of the Government is without any foundation. The district court determined, acting within its sound dis-

cretion, that in view of the limited nature of the matters presented by the Government's motion for summary judgment, no evidence was necessary to sustain such motion except those facts which the appellees admitted. Such motion was based upon the views expressed by this Court in *U. S. v. U. S. Gypsum, supra*, and heretofore commented upon. Prior to this Court's opinion, the case was tried by the Government on a theory which the district court held was not sustained. *U. S. v. U. S. Gypsum*, 67 F. Sup. 397. Under these circumstances, to tax all the costs against the appellees would be unjust and the district court so decided. As we have previously shown, this Court has uniformly held that trial courts are generally vested with "a large discretion to model their judgments to fit the exigencies of the particular case". This is particularly true with respect to costs in equity proceedings such as in the instant case. In *Kansas City So. Ry. Co. v. Guardian Trust Co.*, 281 U. S. 1, 9, this Court said:

"In actions at law costs follow the result as of course, but in equity costs not otherwise governed by statute are given or withheld in the sound discretion of the court according to the facts and circumstances of the case."

Rule 54(d) of the Rules of Civil Procedure provides in pertinent part as follows:

"(d) *Costs*. Except when express provision therefor is made either in a statute of the United States or in these rules, costs shall be allowed as of course to the prevailing party unless the court directs otherwise."

In *Prudence-Bonds Corp. v. Prudence Realization Corp.*, 174 F. (2d) 288 (C. A.-2), in affirming an order as to costs, the Court of Appeals said:

"But the sole issue is one of apportionment of costs, which is a matter left to the sound discretion of the district judge. We see no abuse of discretion justifying our interference."

Chicago Sugar Co. v. American Sugar Refining Co., 176 Fed. (2d) 1, 11 (C. A.-7), cited by the Government, is not in conflict with the general rule stated above. The Court of Appeals in that case said, in addition to the quotation therefrom appearing at page 63 of the Government's brief:

"* * * where it is clear that the action was brought in good faith, involving issues as to which the law is in doubt, the court may in its discretion require each party to bear its own costs although the decision is adverse to plaintiff."

On the particular facts involved in that case the Court of Appeals determined it was error to tax half the costs against the plaintiff because there were no issues involved as to which the law was in doubt. In the case at bar the appellees in good faith relied on the decision of this Court in *U. S. v. General Electric Co.*, *supra*, as they interpreted it. That there is still doubt as to the doctrine announced in *U. S. v. General Electric*, *supra*, is attested by the majority, concurring and dissenting opinions of this Court in *U. S. v. Line Material Co.*, 333 U. S. 287. The district court certainly considered that there was doubt as to the law upon the issues involved and it directed the taxation of costs accordingly.

Conclusion.

For the reasons stated, the judgment of the district court should be affirmed. The Government has made no adequate showing that the district court abused its discretion in entering its judgment. The judgment adequately covers everything which the Government sought and was entitled to on its motion for summary judgment. Having chosen to present its case on the narrow issues which were within the realm of undisputed facts, the Government must accept the form of decree which could be properly

entered upon such a narrow issue. It cannot now contend that it is entitled to a judgment based on the assumption that all the controversial issues of fact have been determined against the appellees without any opportunity for such appellees to have their day in court. We submit that all the Government's apprehensions regarding the judgment entered by the district court are unfounded. However, the district court's retention of jurisdiction in this case will enable it to take any and all measures necessary in the remote and speculative event that the judgement should prove inadequate.

Respectfully submitted,

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